



Effect of Performance Appraisal on Employee Development in Novartis Basel, Switzerland

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Abstract

Performance appraisals play a pivotal role in identifying individuals' training needs and guiding them towards relevant learning programs and resources. Feedback and recognition are fundamental aspects of performance appraisal process. Regular check-ins between managers and employees foster ongoing discussions, addressing challenges, and identifying growth opportunities. It is essential to explore whether the feedback provided during performance appraisals is sufficiently constructive, actionable, and aligned with employees' development goals. Companies are required to invest in both internal and external training initiatives, such as workshops, seminars, e-learning platforms, and leadership development programs. The study utilized the descriptive research design. The target population was 85 workers. The research did sampling of 70 respondents that were selected from the target population of 85 employees in Novartis, Switzerland. Questionnaires were used to collect the data. The research concluded that by offering constructive feedback, the company helps individuals understand their strengths and areas for development, enabling them to enhance their skills and knowledge. The goal-setting component of the performance appraisal allows employees to align their personal objectives with the organization's goals, promoting focus and direction in their development efforts. Effective performance appraisal system, combined with its commitment to talent development, positions it as a leading organization in Switzerland when it comes to employee development. It was recommended that managers should focus on highlighting both strengths and areas for improvement, offering clear guidance on how employees can enhance their performance and achieve their development goals. Managers should provide personalized guidance and support, helping employees create effective development plans and providing resources to facilitate their growth. Implementing regular feedback mechanisms and establishing forums for knowledge sharing and collaboration can further promote employee development.

Keywords: *Performance Appraisal, Employee Development, Novartis, Switzerland*

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1.0 Background of the Study

Performance appraisal is a systematic process within organizations that involves evaluating and assessing an employee's job performance, accomplishments, and competencies against predetermined goals and criteria (Alsuwaidi, Alshurideh, Al Kurdi & Salloum, 2021). It provides feedback to employees on their strengths and areas for improvement, facilitates communication between managers and employees, and supports decision-making related to rewards, promotions, and training needs. The goal of performance appraisal is to enhance employee performance, align individual goals with organizational objectives, and promote continuous development and growth within the organization (Suša Vugec, Bosilj Vukšić, Pejić Bach, Jaklič & Indihar Štemberger, 2020). Novartis, headquartered in Basel, Switzerland, places a strong emphasis on performance appraisal as a key driver of employee development. The company recognizes that a well-designed and executed performance appraisal process is crucial for assessing employee performance, providing feedback, and supporting their professional growth. Novartis follows a structured performance appraisal process that encompasses goal setting, regular check-ins, and an annual formal appraisal (Hameed, Khan, Islam, Sheikh & Naeem, 2020). This process ensures that employees have clear performance objectives aligned with the company's strategic priorities. Managers play a critical role in conducting performance appraisals, offering constructive feedback, and discussing development opportunities with their team members (Pucik, Björkman, Evans & Stahl, 2023).

Feedback and recognition are fundamental aspects of Novartis' performance appraisal process. Alassaf, Dabić, Shifrer and Daim (2020) argued that employees receive valuable feedback on their strengths, areas for improvement, and accomplishments, enabling them to gain a comprehensive understanding of their performance. The feedback is specific, actionable, and aligned with predetermined criteria and performance metrics. Furthermore, Novartis recognizes and acknowledges employees' achievements, fostering a culture of appreciation and motivation (Ripado, 2021). The performance appraisal process at Novartis is closely linked to goal setting and development planning. Employees work with their managers to establish performance goals and objectives that are aligned with their roles and the company's strategic direction. This process provides employees with a clear roadmap for their professional development and helps them understand the expectations placed upon them (Chakraborty & Biswas, 2019). It also facilitates discussions about career aspirations, strengths, and interests, enabling employees to align their development plans with their long-term goals.

Novartis is committed to providing employees with training and development opportunities (Wang, Lin, Xue, Green, Gu, He & Wu, 2022). Performance appraisals play a pivotal role in identifying individuals' training needs and guiding them towards relevant learning programs and resources. The company invests in both internal and external training initiatives, such as workshops, seminars, e-learning platforms, and leadership development programs. By leveraging performance appraisals, Novartis ensures that employees have access to the necessary tools and resources to enhance their skills and knowledge, ultimately supporting their career development (Moustaghfir, El Fatihi & Benouarrek, 2020). Additionally, performance appraisals are an integral part of Novartis' talent management and succession planning efforts. The appraisal process helps identify high-potential individuals and prepares them for future leadership roles. By evaluating employee performance and potential, the company ensures a strong talent pipeline and provides tailored development plans for potential successors (Kamble & Gunasekaran, 2020).

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Novartis recognizes the importance of continuous feedback and development beyond the formal performance appraisal process (Paine, 2021). Regular check-ins between managers and employees foster ongoing discussions, addressing challenges, and identifying growth opportunities. This continuous feedback culture promotes a sense of continuous learning and improvement, enabling employees to receive timely guidance and support for their development needs. Generally, Novartis demonstrates a commitment to employee development through its performance appraisal process (Ridoy, 2019). The structured appraisal system, focus on feedback and recognition, goal setting, training and development initiatives, talent management efforts, and continuous feedback culture collectively contribute to fostering employee growth and enhancing performance. Dempsey-Brench and Shantz (2022) reported that through leveraging performance appraisals effectively, Novartis ensures that employees have the necessary support to succeed and contribute to the company's long-term success.

1.1 Statement of the Problem

The effect of performance appraisal on employee development in Novartis Basel, Switzerland requires a closer examination to identify potential challenges and areas for improvement. While Novartis has established itself as a leading pharmaceutical company known for its commitment to talent development, it is crucial to assess the effectiveness of its performance appraisal process in facilitating employee growth. The problem lies in understanding how the current performance appraisal system impacts employee development and whether there are any gaps or barriers hindering the realization of its full potential. Additionally, it is essential to explore whether the feedback provided during performance appraisals is sufficiently constructive, actionable, and aligned with employees' development goals. Addressing these issues will help ensure that the performance appraisal process at Novartis truly serves as a catalyst for fostering employee development, enhancing skills, and promoting career progression within the organization.

The performance appraisal process plays a crucial role in employee development within organizations. Novartis, a leading pharmaceutical company headquartered in Basel, Switzerland, recognizes the significance of employee development and aims to ensure that its workforce remains motivated, skilled, and engaged. However, it is essential to investigate the specific effects of the performance appraisal system on employee development within Novartis Basel. Understanding how this process influences employee growth, skill enhancement, and career progression is vital for optimizing the appraisal system's effectiveness and ensuring the continuous improvement of the organization's human resources. Novartis invests in its employees' training and professional development, and the appraisal system is expected to contribute to this process. It is crucial to assess whether the current performance appraisal system at Novartis Basel effectively identifies skill gaps, provides constructive feedback, and facilitates the creation of personalized development plans. Furthermore, examining the alignment between the identified skill gaps and the training opportunities available within the organization is important to ensure that workers have access to the resources they require to enhance their competencies and contribute to Novartis's overall success.

Another important aspect to consider is the influence of performance appraisal on career advancement opportunities for employees at Novartis Basel. The appraisal system should provide a fair and objective assessment of an employee's performance, acknowledging their accomplishments and identifying areas for improvement. Evaluating how the performance

appraisal process at Novartis Basel impacts employee promotions, transfers, and opportunities for increased responsibilities will shed light on whether the system effectively supports career growth within the organization. Additionally, investigating whether there are any disparities or biases in the appraisal process that hinder equitable career development is crucial for promoting a diverse and inclusive work environment at Novartis Basel. By addressing these concerns, Novartis can ensure that its performance appraisal system optimally contributes to employee development and fosters a culture of continuous improvement and growth.

2.0 Literature Review

Hajiali, Kessi, Budiandriani, Prihatin and Sufri (2022) study employed desk review and was based on expectation theory, which supports the concept of performance evaluation and employee performance, to determine the link between performance assessment and employee performance utilizing training and development as the parameter. The assessment of the literature revealed that there were gaps in the literature on the relationship between employee performance and performance reviews. It was discovered that many academics had diverse notions on how to evaluate an employee's performance. According to the study, certain shortcomings in performance reviews are linked to the procedures, while others are connected to the organizational setting and structure. This study suggests that in order to improve employees' commitment and performance, it is necessary to evaluate the relationship between performance evaluation and employee performance by including both organizational structures and procedures. There should be frequent assessments and discussions with the staff about reasonable goals. Feedback should be handled with each employee as soon as possible. Recognizing those who hit their goals and criticizing underachievers is important. Through development and training, the gaps should be closed.

Correll, Weisshaar, Wynn and Wehner (2020) reported that although performance evaluations are focused on assessing employees' job performance, they also help to draw attention to the unique goals of a company. As the individual is assessed, the company evaluates itself as well by comparing goals and performance criteria, reviewing the entirety of the evaluation framework and design, as well as the corporate values and culture. In order to build lifetime learning patterns and techniques to maintain productivity over longer working periods, performance assessment is a real instrument for businesses to assess and improve the quality of education and training of their personnel. The drive for performance and self-actualization, as it pertains to employee productivity, frequently lies behind and opens doors for increased productivity. Because getting more done with less resources boosts organizational profitability, productivity is a crucial indicator of goal success. The results of the study, which involved 120 participants and an exploratory research methodology, show a high positive association between employee productivity and performance reviews. It implies that the subject of performance evaluation in nonprofit organizations has to be addressed. The research suggests that performance reviews should thoroughly examine employees' strengths and shortcomings in comparison to needs for potential future increased responsibilities in light of the study's findings.

Deressa and Zeru (2019) conducted study to explore how the performance assessment procedure affects employee performance among the administrative staff at Hawassa University. 200 permanent administrative employees' responses to standardized questionnaires were used to obtain the data. The findings indicated that there are substantial and favorable connections between an independent variable and a dependent one. This includes setting performance criteria,

communicating them, assessing actual performance and comparing it to those standards, talking about the assessment, providing feedback, and signaling necessary remedial action based on employee performance. The university's management must thus make certain changes to the way the performance rating system is used if it is to be effective.

According to Yan, Basheer, Irfan and Rana (2020), employee performance, motivation, and happiness will all be impacted by human resources management (HRM) methods such as the performance evaluation system (PAS). Therefore, the goal of this study is to assess the degree of employee performance, motivation, and happiness as well as to ascertain how the performance assessment method affects these factors at Selangor-based ABC Sdn. Bhd. Through a self-administered and online platform, 120 workers from the target group were employed to gather data using a quantitative research technique and a cross-sectional study design. 89% of the respondents to this study returned their responses. The results of these study offer empirical support for important claims on the PAS of workers at ABC Sdn. Bhd. The primary finding of this study revealed that employee performance, motivation, and contentment were at high and moderate levels. Additionally, there was a positive correlation between employee performance and the performance assessment system ($r=0.534$), motivation ($r=0.756$), and satisfaction ($r=0.672$). The results of this study also demonstrated the importance of performance assessment systems in influencing employee productivity ($r^2=0.435$), motivation ($r^2=0.536$), and satisfaction ($r^2=0.645$). This study provides stakeholders with clear guidelines on how to increase employee performance, motivation, and happiness at LSF or other private sectors within the current performance assessment system.

Bayo-Moriones, Galdon-Sanchez and Martinez-de-Morentin (2021) performed research to determine how employee appraisal systems affect employees and institutions for both public and commercial enterprises in Malmo. An employee survey strategy has been used to execute the quantitative research technique at Malmo's public and private institutions. Employees of Malmo commercial and public sector businesses provided the data. SPSS version 22 was used to analyze the data. According to the investigation, Malmo employees have above-average levels of satisfaction with the "appraisal techniques used" and the "duration of the appraisal process," but less satisfaction with the "methods of appraisal reports" and "the person in charge of preparing performance reports." The analysis discovered that the institutions' adopted assessment systems were very effective in fostering employee career growth and achieving organizational goals. Regarding the impact of the installed performance assessment system, there was no discernible difference. This study is crucial for Malmo organization management since it highlights the necessity for various modifications to be made to the existing in place assessment methods, whether they are used by private or public sector companies.

Ulfsdotter Eriksson, Larsson and Adolfsson (2021) conducted study to decide how to investigate employee performance reviews. The term "performance appraisal" describes the routine evaluation of a worker's productivity and overall value to a business. Knowing how performance reviews affect employee motivation is the goal. The shows that performance reviews help employees perform better. This happens as a result of higher organizational productivity. The type of research methodology employed is descriptive. Primary data is gathered using questionnaires as the data collecting tool. There were 120 participants in the study. The company's present performance evaluation is acceptable to the employees. The majority of the organization's personnel are encouraged through feedback and higher productivity. Additionally, the workplace culture is quite

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welcoming, thus the company hasn't implemented any particular measures to address problems with employee performance evaluations.

3.0 Research Methodology

The study utilized the descriptive research design. The target population was 85 employees. The study did sampling of 70 respondents that were selected from the target population of 85 employees in Novartis, Switzerland. Questionnaires were used to collect the data.

4.0 Research Findings and Discussion

4.1 Correlation Analysis

The results in Table 1 describe the correlation analysis

Table 1: Correlation Analysis

		Employee Development	Performance Appraisal
Employee Development	Pearson Correlation	1.000	
	Sig. (2-tailed)		
Performance Appraisal	Pearson Correlation	.289 **	
	Sig. (2-tailed)	0.000	0.000

The correlation results from Table 1 indicate that the performance appraisal was positively and significantly related with employee development ($r=.289$, $p=.000$). This concurs with Ulfsson, Eriksson, Larsson and Adolfsson (2021) who reported that performance appraisal help employees perform better. There should be frequent assessments and discussions with the staff about the organizations reasonable goals and feedback ought to be handled with each employee as soon as possible. The appraisal system should provide a fair and objective assessment of an employee's performance, acknowledging their accomplishments and identifying areas for improvement.

4.2 Regression Analysis

This section includes the model fitness, analysis of variance and regression of coefficient. The findings in Table 2 show the model fitness

Table 2: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.289a	0.259	0.223	0.00006576

The results from Table 2 indicate that performance appraisal was found to be satisfactory in explaining the employee development in Novartis Basel, Switzerland. This was supported by the

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coefficient of determination, the R square of 0.259. It implies that performance appraisal explain 25.9% of the variations in the employee development in Novartis Basel, Switzerland. Although performance appraisals are focused on assessing employees' job performance, they also help to draw attention to the unique goals of a company.

Table 3: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.67	1	4.67	49.68	.000b
	Residual	7.97	85	0.094		
	Total	12.64	84			

The result in Table 3 shows that the overall model was statistically significant. The findings reveal that employee development is a good predictor in explaining the performance appraisal among the employees in Novartis, Switzerland. This was supported by an F statistic of 49.68 and the reported p-value of 0.000 which was less than the conventional probability significance level of 0.05.

Table 4: Regression of Coefficient

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	0.411	0.123		3.341	0.091
Performance Appraisal	0.754	0.345	0.712	2.186	0.039

Based on the results presented in Table 4, it was noted that performance appraisal was positively and significantly related to employee development ($\beta=0.754$, $p=0.039$). This was supported by a calculated t-statistic of 2.186 that is larger than the critical t-statistic of 1.96. The findings infers that when performance appraisal improves by one unit, the employee development of employees in Novartis, Switzerland will increase by 0.754 units while other factors that influence the employee development remain unchanged. Bayo-Moriones, Galdon-Sanchez and Martinez-de-Morentin (2021) articulated that organizations which adopted performance appraisal systems were very effective in fostering employee career growth and achieving organizational goals. Performance appraisal should thoroughly examine employees' strengths and shortcomings in comparison to needs for potential future increased responsibilities. Novartis can ensure that its performance appraisal system optimally contributes to employee development and fosters a culture of continuous improvement and growth.

5.0 Conclusion

In conclusion, the effect of performance appraisal on employee development at Novartis, based in Basel, Switzerland, is highly significant. Novartis, as a global pharmaceutical company, has demonstrated a strong commitment to fostering employee growth and advancement through its human resource practices. The performance appraisal process at Novartis provides employees with valuable feedback, recognition, and opportunities for improvement. By offering constructive feedback, the company helps individuals understand their strengths and areas for development, enabling them to enhance their skills and knowledge. The goal-setting component of the performance appraisal allows employees to align their personal objectives with the organization's goals, promoting focus and direction in their development efforts. Novartis recognizes the importance of training and development, providing extensive learning opportunities and career advancement programs to its workforce. Furthermore, the company's emphasis on diversity and inclusion creates a supportive and inclusive work environment that encourages employee engagement and satisfaction. Novartis' effective performance appraisal system, combined with its commitment to talent development, positions it as a leading organization in Switzerland when it comes to employee development.

6.0 Recommendations

Ensure that the feedback provided during performance appraisals is specific, timely, and actionable. Managers should focus on highlighting both strengths and areas for improvement, offering clear guidance on how employees can enhance their performance and achieve their development goals. Providing ongoing feedback throughout the year, rather than just during the formal appraisal, can also contribute to continuous improvement. Encourage managers to adopt a coaching approach during performance appraisals. This involves active listening, asking open-ended questions, and engaging in dialogue with employees to identify their development needs and aspirations. By acting as coaches, managers can provide personalized guidance and support, helping employees create effective development plans and providing resources to facilitate their growth. Identify specific skill gaps through performance appraisals and offer targeted training programs to address those areas. Novartis can collaborate with external training providers or develop internal training modules to equip employees with the necessary knowledge and skills. Additionally, incorporating technology-based learning platforms and e-learning resources can facilitate self-directed learning and enhance accessibility to training opportunities.

Supplement the traditional top-down feedback with a 360-degree feedback process that includes input from peers, subordinates, and cross-functional teams. This allows employees to receive a broader perspective on their performance and fosters a culture of collaboration and continuous learning. Implementing regular feedback mechanisms and establishing forums for knowledge sharing and collaboration can further promote employee development. Integrate the performance appraisal process with career development discussions and succession planning. Ensure that employees have a clear understanding of their career paths within the organization and provide guidance on the skills, competencies, and experiences required for advancement. Offering opportunities for job rotations, stretch assignments, and mentorship programs can also facilitate employee growth and prepare them for future roles. Explore the use of technology solutions to streamline the performance appraisal process and make it more efficient and user-friendly. This can include online performance management systems, self-assessment tools, and data analytics to

track and measure performance. Utilizing technology can also provide employees with easy access to resources, training materials, and development opportunities.

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